

The Loan Arranger

Spring/Summer
2002

Municipal Facilities Section - Environmental Assistance Division
Michigan Department of Environmental Quality 

Mt. Clemens Completes Improvements with Simultaneous DWRF and SRF Loans

by Paul Koleda



*New Drinking Water Ozone-Disinfection
Facility for the city of Mt. Clemens*

In January 2002, the city of Mount Clemens put an ozone disinfection facility into operation for the purpose of providing additional purification of the city's drinking water, which is drawn from Lake St. Clair. The ozone disinfection project was the last in a series of eight Drinking Water Revolving Fund (DWRF) and State Revolving Fund (SRF) loan projects the city began in the spring of 1998. Mt. Clemens undertook the projects to improve facilities, correct problems associated with undersized and unreliable water mains, and to eliminate combined sanitary sewer overflows. The DWRF and SRF loans financed \$30,000,000 of the roughly \$36,500,000 expended to construct the entire series of eight projects.

Loans provided for these projects were the first, in the history of the DWRF and SRF loan programs, where

both water main improvements and sanitary sewer improvements were constructed simultaneously with DWRF and SRF financing. From an administrative standpoint, the simultaneous construction of water mains and sanitary sewers was a new cost accounting challenge for the Municipal Facilities Section (MFS) of the Department of Environmental Quality, the Financial Department for the city of Mt. Clemens, and the city's engineering consulting firm, Tetra Tech MPS Inc.

Four of the loans (two approved in 1998 and two approved in 1999) included simultaneous construction of sanitary sewer and water main improvements. Not only did this require Alternative Justifiable Expenditures (AJE) for each loan, but the AJE percentages for the combined water main and sewer projects had to be blended before the MFS-approved loan amounts could be calculated for each DWRF and SRF loan.



*Construction of the relief sewer tunnel
under the Clinton River adjacent to the
Dickinson Avenue bridge*

The successful completion of the system improvements for the city of Mt. Clemens is a good example of how cooperation between a municipality, a private engineering firm, and state government can work together in a complex situation to improve the quality of drinking water and help protect the surface waters of the state (specifically the Clinton River and Lake St. Clair).

Although many people worked together to bring these projects to realization, the MFS wishes to especially thank Charles Bellmore, Marilyn Deluge, and Barbara Hergenroeder of the city of Mt. Clemens, and Nathan Zill and Jeffrey Reynhout of Tetra Tech-MPS Inc. for their assistance in successfully implementing and completing the DWRf and SRF loan projects for the city.

PUBLIC HEARING DATES ARE ANNOUNCED

The Michigan Department of Environmental Quality has set the dates for the Fiscal Year 2003 public hearings on the draft Project Priority Lists and draft Intended Use Plans.

Drinking Water Revolving Fund – August 27, 2002
(for project plans received or postmarked no later than May 1, 2002)

State Revolving Fund – September 24, 2002
(for project plans received or postmarked no later than July 1, 2002)

Both Public Hearings will be held at 1:30 p.m. in Constitution Hall, the DEQ's new office building at 525 W. Allegan in downtown Lansing.

Program Application Changes

by Jeff Herrold

Two changes have recently been made in the forms used by municipalities to apply for SRF or DWRf loan assistance in Michigan. The first change involved the addition of a new applicant certification pertaining to Act 114, a state law passed last August to prevent the spread of nuisance species in the Great Lakes. Beginning on March 1, 2002, loan applicants must now certify that they will comply with the new law, which prescribes ballast water management practices for vessels operating on the Great Lakes. While few, if any, municipalities will own, operate, or contract for the transportation of cargo on such a vessel, all loan applicants are required to certify that they will comply with the new law. To meet this legal requirement, beginning with the second quarter Fiscal Year 2002 loans, the language in all Supplemental Agreements now includes the new certification. The new certification will also appear in revised editions of the *Application for*

Financial Assistance used by each program. Please note that applications distributed before this change was made will still be accepted during Fiscal Year 2002.

The second change involved the revision of the *Project Plan Submittal* form, used in both loan programs as the first step in applying for financial assistance. A *Project Plan Submittal* form must accompany the final project plan when it is submitted to the Municipal Facilities Section. This submittal form contains basic information about the applicant and the proposed project. These forms have been revised so that a joint resolution adopting the project plan and designating an authorized project representative will also be submitted. A sample resolution will be provided with each *Project Plan Submittal* form as a template for the applicant municipality to follow. Over the years, communities have asked for a sample resolution to use as a model for the mandated resolution of project plan adoption. The new sample resolution will address this need. It will also include language for the official designation of an authorized project representative so that this required designation can be made at the same time the project plan is adopted by the governing body of the loan applicant.

If you have any questions about these two changes, please feel free to contact Jeff Herrold at 517-335-1977.

DWRf Eligibility Clarifications

by Jeff Herrold

We are currently working on a revision of the February 2000 **DWRf Eligibility Guidance** that has been provided to prospective loan applicants and consulting engineers. The updated guidance should be available for distribution this summer; in the meantime, allow us to alert you to several important clarifications.

1. "Dry" Test Wells

Planning costs that involve the construction of tangible assets (e.g., test wells which do not become production wells) are not eligible for reimbursement as part of a DWRf planning loan but can be included in a DWRf construction loan.

2. Extensions of Water Mains

The extension of water mains into an area not presently served by a public water supply will not be eligible for DWRf funding unless (a) the extension is necessary to address a documented drinking water problem in that area and (b) the extension is necessary to meet clearly identified needs for the 20-year project planning period that are substantiated by valid population projections (e.g., projections prepared by the state of Michigan or the appropriate regional planning agency, using a nationally-recognized model such as the one produced by the U.S. Census Bureau).

3. New Fire Hydrants

If a new water main is being installed for an eligible purpose (e.g., replacement to restore the structural integrity of the distribution system, replacement of a pipe of less than the standard 8-inch diameter, DWRPD-approved looping), then new fire hydrants along that main will be eligible for DWRF funding provided (a) the spacing of the hydrants is consistent with the provisions of the most current edition of the **Recommended Standards for Water Works**, and (b) the proposed spacing conforms with the typical spacing used throughout the remainder of the existing water distribution system.

4. **Water Tank Painting**

The painting of a water storage tank will not be eligible for DWRF funding unless *either* (a) the painting is done in conjunction with a major rehabilitation that is necessary to restore the integrity of the water tank, *or* (b) the painting is a stand-alone improvement that is necessary to restore the integrity of the tank's interior or exterior coating, involving extensive surface preparation such as sand blasting and priming. The final project plan must document why the painting is necessary, rather than routine maintenance, and a technical report from a tank inspection firm must be part of this justification. The project plan must also include a comparison of tank refurbishment or stand-alone painting versus tank replacement as part of the cost-effectiveness analysis. Routine maintenance painting is not eligible for DWRF funding. Reasonable enhancements painted in conjunction with an eligible repainting project, such as the painting of letters or logos, can be reimbursed in the DWRF loan.



If you have any questions about these clarifications, please feel free to contact Jeff Herrold at 517-335-1977.

**Loans Benefit the Public Health
and Environment**
by Chip Heckathorn

Nearly \$50 million was awarded in loans during the second quarter to assist communities in improving drinking water and wastewater treatment facilities.

Six of the loans were from the State Revolving Fund (SRF), for improvements to wastewater collection and treatment facilities, while five loans were from the Drinking Water Revolving Fund (DWRF), to support improvements to public drinking-water systems.

SRF recipients are:

- **Lansing** -- \$13.6 million for its 30-year program to separate its sewers. This is the city's 14th loan.
- **Eastpointe, St. Clair Shores and Roseville** -- \$5.5 million to finance additional improvements to upgrade and expand the wastewater systems serving those communities.
- **Port Huron** -- \$3.6 million to continue its sewer separation program.
- **Dearborn** -- \$6 million for pump station upgrades, the first segment of a long-term project to adequately treat combined sewer overflows to the Rouge River.
- **Grosse Ile Township** -- \$3.9 million to finance the first segment of its sanitary sewer overflow control program.
- **Harbor Springs Area Sewage Disposal Authority** -- \$5.8 million for a major upgrade of its wastewater treatment plant.

Michigan's SRF program has provided more than \$1.7 billion in loan assistance since its inception in 1989.

DWRF Recipients are:

- **Village of Chelsea** -- \$3 million to replace deteriorated water mains.
- **Port Huron** -- \$3.9 million to replace deteriorated water mains.
- **Village of Parma** -- \$1.1 million to extend water service to residents.
- **Village of Shelby** -- \$1.3 million to improve its drinking water system.
- **Village of Milford** -- \$1.7 million to upgrade components of its drinking water system.

These second-quarter loans bring DWRF program commitments to nearly \$180 million to date.



The Loan Arranger

ENVIRONMENTAL ASSISTANCE DIVISION
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
PO BOX 30457
LANSING MI 48909-7957

FIRST CLASS
U.S. POSTAGE
PAID
LANSING, MI
PERMIT NO. 1200

Return Service Requested

State of Michigan
John Engler, Governor
Michigan Department of Environmental Quality
Russell J. Harding, Director
Environmental Assistance Division
Paul Zugger, Chief

MUNICIPAL FACILITIES SECTION

Chip Heckathorn, Section Chief
Dave Krusik, East Unit Chief
Wendy Jansma, West Unit Chief
Sonya Butler, Technical Support Unit Chief
Telephone: 517-373-2161 Fax: 517-335-0743
INTERNET: www.michigan.gov/deq

The Loan Arranger is published tri-annually by the Municipal Facilities Section.

Correspondence may be addressed to *The Loan Arranger* Editor:

**MUNICIPAL FACILITIES SECTION
ENVIRONMENTAL ASSISTANCE DIVISION
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
PO BOX 30457
LANSING MI 48909-7957**

The Michigan Department of Environmental Quality (MDEQ) will not discriminate against any individual or group on the basis of race, sex, religion, age, national origin, color, marital status, disability, or political beliefs. Questions or concerns should be directed to the MDEQ Office of Personnel Services, PO Box 30473, Lansing, MI 48909.

